

## Yageo 2011 Corporate Social Responsibility Report



# **TABLE OF CONTENTS**

## **OVERVIEW 03**

### **1. LETTER FROM THE CHAIRMAN AND CEO 04**

### **2. CORPORATE PROFILE 05**

- 2.1 An Introduction to Yageo **05**
- 2.2 Business Summary **05**
- 2.3 Financial Highlights **06**
- 2.4 Corporate Governance **07**
- 2.5 Stakeholder Identification and Communication **08**
- 2.6 Investor Engagement **09**
- 2.7 Awards Received in the Reporting Period **09**

### **3. EMPLOYEE 11**

- 3.1 Employment **11**
- 3.2 Employee Development **13**
- 3.3 Compensation and Benefits **13**
- 3.4 Employee Relations **14**
- 3.5 Work and Life Balance Program **14**
- 3.6 Corporate Security and Risk Control **15**
- 3.7 Safety and Health **15**

### **4. CUSTOMER SERVICE & SUPPLIER MANAGEMENT 17**

- 4.1 Customer Service and Satisfaction **17**
- 4.2 Supply Chain Risk Management **18**
- 4.3 Helping Suppliers Improve Delivery and Quality **19**
- 4.4 Ensure Supplier Compliance **19**

### **5. ENVIRONMENTAL PROTECTION 20**

- 5.1 Green Management Organization and System **20**
- 5.2 Declaration of Metal Conflict Free **22**
- 5.3 Environmental Compliance Record **22**

## OVERVIEW

As a good corporate citizen, Yageo has always fully committed itself to its corporate social responsibilities. We continue to share our efforts in strengthening employee and supplier relations, corporate governance, business ethics, social contribution, and environmental protection. We care for the earth and the next generation by providing a healthy living environment. These are cornerstones of Yageo's business and our commitment to sustainable development.

### Report Scope and Profile

This report contains information related to all Yageo factories located in Taiwan, as well as the Environmental Safety and Health (ESH) performance of our wholly-owned subsidiaries, Yageo (China) – Dongguan and Suzhou. Financial figures in this report are expressed in US dollars unless otherwise specified. ESH performance is expressed in commonly accepted benchmarks.

This report is published in English and is available on Yageo's corporate website.



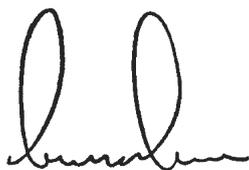
## 1. LETTER FROM THE CHAIRMAN AND CEO

Giving back to society is part of our business operation. Corporations are like big trees in society's fertile soil. A corporation's ground-breaking growth must cultivate the root cause of this growth, so during profitability, innovation must propagate into society while allowing full participation of employees.

As a resident of the global village, Yageo acknowledges the importance of preserving a green globe. Our environmental program focuses on reducing, reusing, and recycling materials used in our manufacturing operations. Yageo's **Social Responsibility Statement** is as following:

- To ensure labor's obligations and rights, Yageo sets up regulations and system according to Labor Standards Act.
- Yageo fully complies with "Gender Equality in Employment Law" and labor related applicable obligations in Labor Standards Act. Yageo prohibits sex, race, religious belief, age, marital status, disability, and nationality discrimination.
- According to company employment policy, Yageo does not engage in child labor, employ anyone below 16 years of age and avoids enforced labor.
- Yageo respects the human rights, complies with "Gender Equality in Employment Law" and takes steps to avoid issues of sexual harassment.
- Yageo is devoted to environmental protection. Our environmental policies are to implement pollution prevention by complying with legal requirements, the reduction and disuse of prohibited materials, resource recycling, strive for sustainable business development and continue environmental improvements, and to establish/ implement an environmental management system to provide a safe and healthy working environment for employees.

Yageo fulfills its social responsibilities to all stakeholders. As we carry out the principles above, customers will trust us more because of our honesty and integrity, respect for the law, and good corporate governance. Investors will be more willing to invest over the long term because of our clear core values, and employees will feel closer to the company as they identify with our values. Carrying out Yageo's social responsibilities brings us greater competitive advantage, creates greater value for shareholders, and benefits all of our stakeholders.



**Pierre T. M. Chen**  
**Chairman**



## 2. CORPORATE PROFILE

Yageo is the world's leading passive component service provider, providing the industry's leading process technologies and the comprehensive product portfolio. Yageo's leading industry position is based on a trinity of key differentiating strengths: technology leadership, manufacturing excellence, and customer partnership. Revenue for 2011 totaled NT\$24.966 billion, net income was NT\$4147.4 million, and earnings per share was NT\$1.89.

### 2.1 An Introduction to Yageo

Established in 1977, the Yageo Corporation has become a world-class provider of passive-component services with capabilities on a global scale, including production and sales facilities in Asia, Europe and the Americas. The corporation is uniquely positioned to provide one-stop-shopping, offering its complete product portfolio of resistors, capacitors and inductors in both commodity and specialty versions to meet the diverse requirements of customers.



Yageo currently ranks as the world No.1 in chip-resistors, No. 3 in MLCCs and No. 3 in ferrite products, with 23 sales/service offices in 18 countries, 8 production sites, 5 JIT logistic outfits and 3 R&D centers worldwide. Ferroxcube and Vitrohm are part of Yageo group, who produce ferrites and leaded resistors.

In the fast-paced electronics field, with its trend toward miniaturization and shorter product cycles for consumer electronics and telecommunication applications, it became clear that future growth would demand globalization, and the ability to become part of customer supply chains through enhanced service. The corporation's global deployment strategy has thus always been based on providing customers with comprehensive passive component solutions.

Yageo provides mass production capabilities for passive components to fit varied applications and specifications, such as: automotive, consumer electronics, industrial control, healthcare, power & energy, mobile and tablet, etc.. Yageo has shown outstanding R&D technical capabilities, providing value-added service via cooperative design throughout the electronics field, especially in the communications, consumer electronics and general industry. The combination of Yageo global R&D centers and strong core technologies, make these the innovative solutions around the globe.

The company is listed on the Taiwan Stock Exchange since October 1993, and GDR listing on the LUX since September 1994.

### 2.2 Business Summary

Yageo made fundamental transformation throughout the organization in the past few years. As we continue into 2012, we're excited by the incredible opportunities ahead. **Yageo is pursuing continuous growth by the following five main strategies:**

- Continue improving the fundamentals
- Fully engage in adjacent technologies and reposition Yageo in the markets
- Implement collaborative sales management
- Optimize sales revenue growth and profitability
- Progress towards a high performance organization

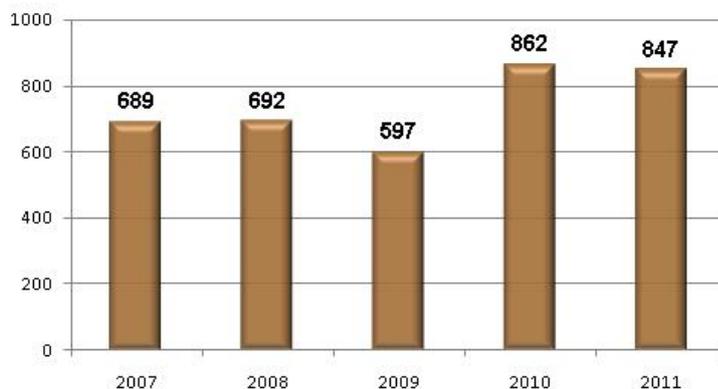
Yageo is expected to continuously improve profitability and create a three-way win for the corporation, employees and shareholders by our strong penetration and deployment in the China market, Strict cost control approaches, leading position in commodity, the in-depth segmentation strategy backed with R&D resources, etc

### 2.3 Financial Highlights

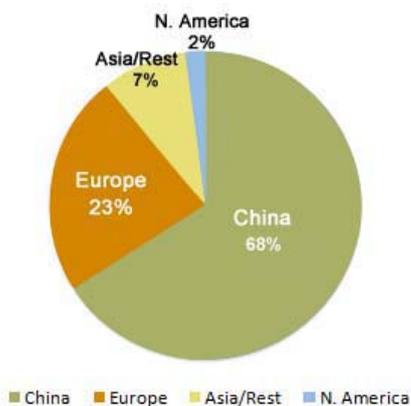
Yageo achieved USD847 million revenue in 2011, a 8.5% decrease compared to the previous year. MLCC accounts for 41% of revenue, and R-Chip accounts for 35%, China is our largest contribution which is two thirds of total revenue. However, the efforts of AVL at customer's HQ in Europe, N. America, Japan and Korea also cannot be ignored.

#### Sales Revenue

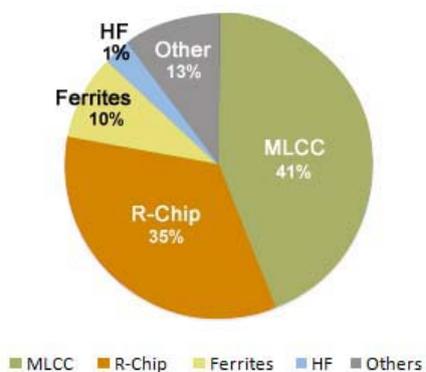
Unit: in Millions of USD



#### Sales breakdown by region



#### Sales breakdown by product



## 2.4 Corporate Governance

Yageo Corporation has grown rapidly over the past decade by successfully deploying mergers and acquisitions and on-going capacity expansion strategies in fortressing its technologies, distribution and product solutions capabilities. While increasing company visibilities in the global market, Yageo has taken an active stance in meeting higher disclosure standards of operational and financial information.

Yageo Corporation believes that sound corporate governance practices make for more than good public relations. Yageo has, by adhering to corporate transparency and integrity benchmarks, benefited from more effective risk management, more efficient organizational functioning, increased market attractiveness and greater investor confidence in recent years despite economic downturns. Strengthening the fabric of corporate governance has proven to be as vital to the bottom line as an effective business model in Yageo's pursuit to become the world's finest passive component services provider.

As a principle, Yageo maintains rigid reporting requirements across its global organization. In addition to publishing monthly sales information via the press and on Yageo website, Yageo holds quarterly investor conferences and actively participates in road shows and one-on-one investor meetings to keep the investor communities informed in un-prejudiced, consistent and timely fashion.

### 2.4.1 Board of Directors

Yageo's Board of Directors consists of ten distinguished members with a great breadth of experience as world-class business leaders or scholars. Under the leadership of Chairman Pierre TM Chen, Yageo's Board of Directors takes a serious and forthright approach to its duties and is a serious, competent and independent Board.

The primary responsibilities of the Board of Directors are oversight, counseling and direction to the management of the Company. The Board's detailed responsibilities include, but are not limited to, the following:

1. Composing the business plan;
2. Proposing earnings distribution plan or plan for making up the losses;
3. Proposing plan for capital increase or decrease;
4. Approving important corporate policies and contracts;
5. Electing and terminating the President and Managers of the Company;
6. Establishing and withdrawing the branch offices;
7. Approving the budget and financial accounts;

8. All matters shall be decided by resolutions of the board of directors, unless the Law or Memorandum of Incorporation provide certain matters shall be resolved at the Shareholders Meeting.

### **Meetings of the Board Directors**

#### **1. Chairman of the Board**

The Board of Directors shall appoint a Chairman to represent the Company and a Vice Chairman from among the board members. In the case where the Chairman is on leave or unable to perform his or her duty, the Vice Chairman shall take the place of the Chairman. In the case where the Vice Chairman is also on leave or unable to perform his or her duty, the Chairman shall designate one of the board member to take his or her place. If the Chairman fails to make designation, the board members shall appoint a member among themselves to take the place of the Chairman.

#### **2. Frequency of Meetings**

The regular meetings are held per quarter and shall give 7-day notice to Directors and Supervisors before the meeting. In the case of emergency, the meeting may be convened at any time.

### **2.4.2 Corporate Compliance**

Yageo has created an EICC manual to manage, and efficiently implement, the promotion of EICC and to protect human rights and social aspects.

### **EICC (Electronic Industry Code of Conduct)**

- Prevention of occupational injury and illness.
- A commitment to uphold the human rights of employees, and to treat them with dignity and respect.
- Obey environmental laws and regulations.
- Conduct business operations with reference to ethics.
- Protect intellectual property.

### **Emphasize continuous improvement**

Yageo's management team closely monitors both domestic and foreign government policies and regulatory developments that could have a material impact on Yageo's business and financial operations, and have established related risk management procedures. As of today, Yageo has never been subject to any significant monetary fines and /or nonmonetary sanctions for noncompliance with any statutory laws and regulations.

### **2.5 Stakeholder Identification and Communication**

Yageo has established a core team to lead corporate social responsibility activities, including representatives from Investor Relations, Public Relations, Human Resources & Corporate ESH. The core team identifies stakeholders and integrates stakeholders' concerns into routine tasks and

Oct. 2012

annual plans, and maintains flexibility to incorporate ad-hoc issues into annual plans. The core team also seeks support from additional departments as necessary. Yageo stakeholders include stockholders and investors, employees, suppliers, customers, government, the community, and non-profit organizations. Yageo has certain responsibilities to its stakeholders and needs to communicate with them through various measures and channels to understand their needs and expectations from Yageo, and also takes these needs and expectations into account for corporate social responsibility policy and projects. Yageo and its stakeholder communication measures and channels are described in the table below; more detailed information can be found in related chapters of this report..

## 2.6 Investor Engagement

Yageo's business strategies and financial policies aim to uphold and enhance the value of our long-term shareholders. We not only align ourselves with international standards that demonstrate our position and reputation as a premier investment and sustainability champion, but are ranked within the passive component industry as a sustainability leader. Since becoming a publicly listed company in 1993, we have consistently delivered value to shareholders through cash dividends, maintaining a strong balance sheet, and keeping one of the highest credit ratings among technology companies.

In order to serve investors and the investment community, Yageo has established a highly effective communication system to disseminate information. Each quarter, our management holds an investor conference, followed by a conference call, to report and discuss company performance with investors worldwide. On a daily basis, our Investor Relations team holds investor and analyst meetings worldwide. All these efforts are focused on serving investors with accurate, timely and transparent information and financial data regarding Yageo business, operations and performance. In addition, e-mail updates covering all business activities and key events are regularly sent out to thousands of members of the investment community. Information regarding Yageo's business fundamentals and significant filings with regulatory authorities are posted on Yageo's corporate website in a timely manner.

Yageo Corporation believes that sound corporate governance practices make for more than good public relations. Yageo has, by adhering to corporate transparency and integrity benchmarks, benefited from more effective risk management, more efficient organizational functioning, increased market attractiveness and greater investor confidence in recent years despite economic downturns. Strengthening the fabric of corporate governance has proven to be as vital to the bottom line as an effective business model in Yageo's pursuit to become the world's finest passive component services provider.

Our corporate governance undertakings were recognized by "Euromoney" and "Asiamoney" magazines in their 2003 and 2004 surveys rating Yageo Corporation as one of few Taiwan firms to

have achieved corporate accountability, particularly in respect of operation strategies, financial and operational transparency.

As a principle, Yageo maintains rigid reporting requirements across its global organization. In addition to publishing monthly sales information via the press and on Yageo website, Yageo holds quarterly investor conferences and actively participates in road shows and one-on-one investor meetings to keep the investor communities informed in un-prejudiced, consistent and timely fashion.

### EuroMoney Survey

- One of the five companies recognized in Taiwan
- One of the four technology companies recognized in Taiwan

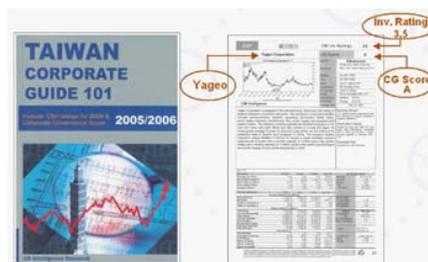


### CN Intelligence Research

- Yageo rated A in corporate governance

### CG Certificate by Taiwan Corporate Governance Association

- One of the six companies certificated by CGA



### AsiaMoney Survey

- Good corporate governance practice in Taiwan

## 2.7 Awards Received in the Reporting Period

- Excellent Supplier Award by Sharp NJ
- Top 500 importers/exporters by the International Trade Bureau
- China Component Leaders Award

### 3. EMPLOYMENT

Human capital is one of the invaluable assets that support our business success. Yageo is committed to creating a corporate culture embracing innovation and diversity, and strives to build a challenging, yet enjoyable and rewarding work environment.



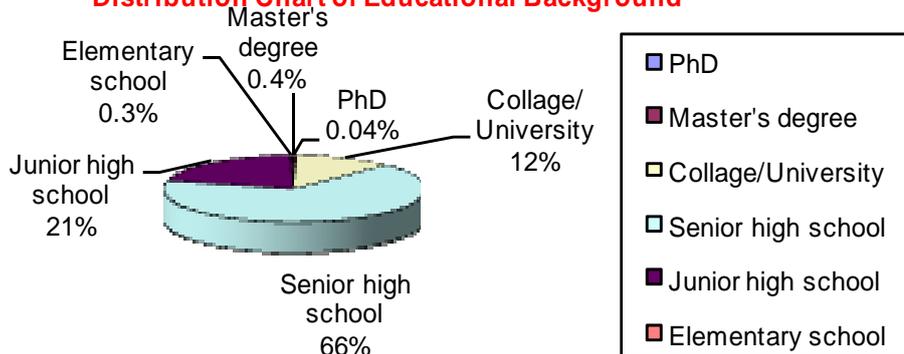
#### 3.1 Employment

Yageo aims to be an oasis for working and learning toward a beautiful life with cultural, educational and sporting events that inspire continuous personal growth and outreach. We develop talent by internship, mentorship and partnership. Yageo enables people to pursue a rewarding lifestyle while giving something back to society.

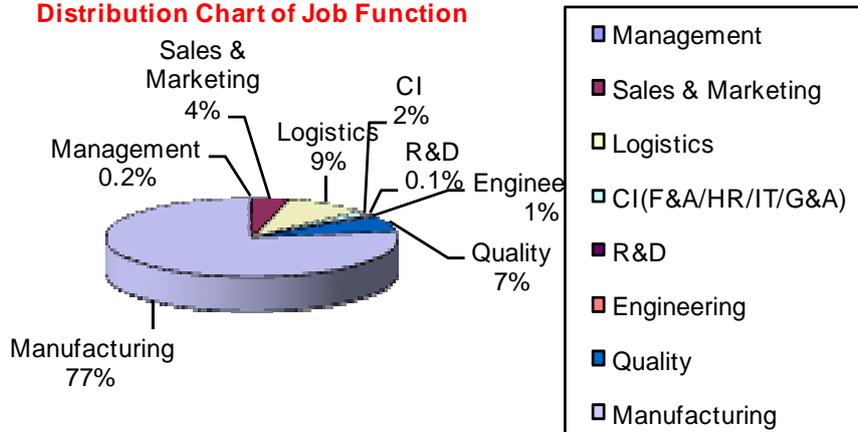
##### 3.1.1 Yageo Workforce Structure

At the end of 2011, Yageo had 8,950 employees, including 7,525 production operators, 255 R&D, 610 logistics, 240 management, and 320 sales. Yageo hires all employees equally based on his or her job qualifications regardless of gender, relation, race, nationality or political affiliation. Our employment policy is well-defined to ensure candidates and employees are treated equally in recruitment, deployment, development, evaluation and reward, and in engagement as well.

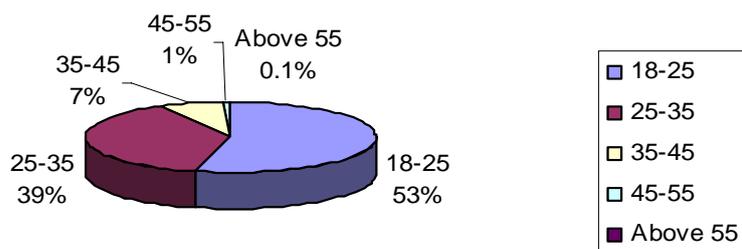
**Distribution Chart of Educational Background**



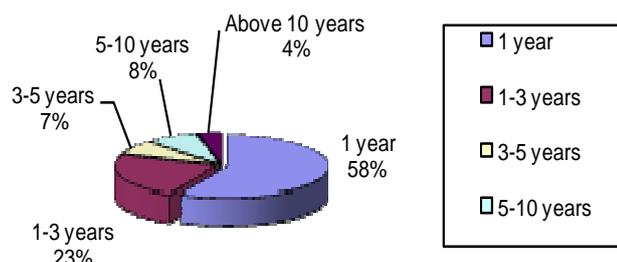
**Distribution Chart of Job Function**



### Distribution Chart of Age



### Distribution Chart of Seniority



### 3.1.2 Employee Retention

Yageo’s retention programs focus on promoting work-life balance, enhancing managers’ capabilities, and providing employee career development opportunities. The average annual turnover rate of the past three years has been less than 10%.

Location	Monthly Attrition Rate	
	OP	Non-OP
Taiwan	3%	2%
China	9%	3%

### 3.1.3 Recruitment

Yageo is an equal employer and values employee’s diversity. Recruitment is conducted via an open and fair selection process. Recruiters and hiring managers are carefully trained to ensure the fairness and quality of recruitment.

### 3.1.4 Abolition of Child Labor

Taiwan’s “Labor Standard Law” states that no workers below the age of 15 shall be employed, and that children between the age of 15 and 15 are not permitted to perform heavy or hazardous work. To comply with the law, Yageo never hires employees less than 16 years old.

### 3.1.5 Performance Management and Development

Yageo’s performance management system aims to integrate and improve the performance of individual employees and the organization as a whole. The five principles of our system are:

personal accountability for individual performance, partnership and cooperation between supervisors and employees, ongoing engagement and communication, equal importance given to performance appraisal and development, and performance differentiation.

### 3.2 Employee Development

Continuous learning is the cornerstone of Yageo's employee development. It is especially important for Company success in the tough economic environment. Yageo provides comprehensive learning opportunities and resources to all employees and a tailor-made individual development plan & established for each employee appropriate to the employee's development needs, along with business needs. Training days each indirect labor received in average is 6 days, and 42 days for each direct labor.



#### Development and Training Programs

No only does it employ capable people, Yageo is also focusing its energies on intensifying the leadership and capabilities of our staff. Yageo is offering opportunities for people to grow evenly by enhancing the value of the organization, improving their leadership skills and work capabilities through our management training programs by external professional institution, which including:

**Teamwork Workshop**

**Negotiation Skills**

**Behavior-Oriented Performance Appraisal**

### 3.3 Compensation and Benefits

Yageo values every employee, and entitles employees to a comprehensive compensation and benefits program above the industry average. Annual salary raises are based on salary changes in the industry, productivity at Yageo, and individual employee



performances. Yageo offers employees a wide range of benefits. These include:

- Employee cafeteria
- Group insurance
- Tour allowance from Employee Welfare Committee
- Incentive and festival bonuses

#### Working Environment

Yageo also strives to provide a safe and comfortable working environment for employees. These include: safe and clean working environment, friendly safety guards within factories.

### 3.4 Employee Relations

Yageo sees harmonious employee relationship as the foundation of high productivity and performance. Therefore, Yageo dedicated to building employee relationships by strengthening open communication channels and recognizing employee's achievements.

Yageo communicates with employees through diversified channels for timely conveyance of management policies to employees and listening and responding to employees' voices. Besides the usual channels, the employee survey and the Ombudsman channel collect employee views on their concerns and significant management issues.

Company information is communicated with employees through

- 1) corporate business review meeting
- 2) department meeting
- 3) Employee Portal
- 4) bulletin board
- 5) Yageo on Track (internal eNewsletter)



Employees can raise concern through channels of direct supervisor, grievance hotline, suggestion box, health & safety committee...etc.

### 3.5 Work and Life Balance Program

Yageo's work and life balance program helps employees enjoy a better quality of life and it also contributes to Yageo's success. Yageo promotes employees' mental and physical health by providing a healthy working environment and services, and offering a variety of clubs and activities.

#### 3.5.1 Health Care

Yageo offers annual employee health examination, consultation service as well as on-site clinics and a dental clinic for convenient employee medical service.

#### 3.5.2 Yageo Employee Welfare Committee- Recreation and Sports & Community for Employees and Families

The Yageo Employee Welfare Committee (EWC) was established under the requirements of Taiwan's Employee Welfare regulations. Its key mission is to provide comprehensive welfare services to all employees, and help to keep a good balance between work and life. The EWC organizes employee activities, provides in-house recreational facilities and amenities, and extends these services to employees' families.

### 3.6 Corporate Security and Risk Control

Yageo works to create a safe working environment and protect proprietary information. Therefore, Yageo is dedicated to Proprietary Information Protection (PIP), physical security, employee security, and vendor security to preserve the interests of the Company, customers, employees and shareholders. Yageo takes effective risk management to avoid possible security

### 3.7 Safety and Health

#### 3.7.1 Safety and Health Management

Yageo formulated the "Safety and Health Policy" as our guidelines according to the OHSAS18001 occupational health management system standard and Yageo's internal actual situation requirements as the basis. High quality of safety in the workplace, and high security of labor health is our goal.

1. Have its business activities conducted in such a way to protect the health and safety of its employees, and to minimize any adverse effects on the environment.
2. Implement working practices, which will prevent personal injury and damage to property.
3. Limit the potential to cause harm from known hazardous process by maintaining a safe system of work, and by planning for emergencies which may reasonably be foreseen.
4. Involve its employee in carrying out the policy, and make them aware of their own responsibility for the health and safety of themselves and others.
5. Provide appropriate training to ensure the competence of staff who advise on occupation health, safety and environmental matters.
6. Secure the maximum benefit from our own experiences concerning dealing with health and safety hazards for the good of the business as a whole.

#### 3.7.2 Emergency Response

The first priority of Yageo's disaster response policy is to ensure the safety of personnel, followed by avoiding pollution of the environment, and finally to reduce property losses and maintain normal production. We believe that when natural disasters or accidents occur, proper treatment in the incipient stage of the event not only minimizes the chance of personnel injury and environmental pollution, but also significantly reduces losses and lowers the difficulty of resuming production. YAGEO therefore pays considerable attention to emergency response. From emergency equipment setup, creation of emergency procedures, training, drills, and other preparations, YAGEO follows the process of "planning, implementation, evaluation and improvement"..

#### 3.7.3 Risk Management Policy

##### **Purpose**

Risk management relates to the culture, processes and structures directed towards the effective management of potential opportunities and adverse effects within Yageo's corporate environment. The purpose of this policy is to explain the corporation's underlying approach to risk and risk management. It provides guidelines and information on how YAGEO Corporation manages risks.

## Organizational Scope

This is a corporate-wide policy. Each member of the corporation has a role to play in the identification and management of risk through risk management processes being integrated with planning processes and embedded in management activities.

### 3.7.4 Contingency Response Plan

#### Purpose

The purpose of this Contingency Response Plan (the "Plan") is to outline the standard procedures for Yageo employees to follow when disasters occur at its manufacturing plants.

#### Scope

This Contingency Response Plans provide action plans which include:

- 1) The preparation work for disaster prevention.
- 2) Standard Operating Procedures for responding to various disasters.

#### Disasters

- 1) Fire Accident (Emergency Incident) ·
- 2) Natural Disasters (Typhoon, Earthquake or Flood)
- 3) Explosion
- 4) Accidents That Cause Major Environmental Impact
- 5) Chemical Spills
- 6) Utility Outage (Ex: Power and water)
- 7) All other possible accidents



## 4. CUSTOMER SERVICE & SUPPLIER MANAGEMENT

Yageo committed to providing the best service to our customers and believes that customer service is critical to enhancing customer loyalty. In turn, customer loyalty leads to higher levels of customer retention and to expansion of business relationships.

Yageo also cooperates with suppliers to meet our corporate social responsibilities by building a reliable and sustainable supply chain, which supports protection of the environment, human rights, safety, and health. Our committees and managing teams responsible for aligning corporate direction in supply chain management execute a complete “Plan-Do-Check-Act” (P-D-C-A) cycle.

### 4.1 Customer Service and Satisfaction

#### 4.1.1 Customer Service

Yageo's goal is to maintain its position as the most advanced and largest provider of passive component manufacturing technologies and services. Yageo believes that achieving this goal will help retain existing customers, attract new customers, and further strengthen customer partnerships. To facilitate customer interaction and information access on a real-time basis, Yageo has established a wide range of web-based services covering applications in EDI, and online literature request. We also launched an e-Commerce Portal to provide Order Management, Payment Service and Online Support.

**YAGEO e-Commerce Portal**

Language Selection | Hello, justin chen | Log off

Home Page | Customer Information | Order Management | Payment Service | Online Support

Home Page

**New Product**

**Anti-Sulfurated Resistors**  
Satisfying the most stringent applications This series is suited for electronic appliances used in high concentrations of sulfur gases areas such as hot springs and mines.

**Multilayer Ceramic Capacitors with Soft Termination**  
Soft termination MLCC capacitors are used in applications which require high reliability, increased mechanical performance and improved resistance to thermal stresses.

**Transaction Information**

**Outstanding Order**  
An overview of all of your open orders with various order statuses. You may go to the [Order Management] page for your order detail query.

PO Unconfirmed	PO Confirmed	Available to Ship	Shipped
4	9	0	0

**Payment Status** | Your Prepaid Balance: 0  
The information below are the outstanding payment for you. Please kindly arrange the payment by the due date to avoid the shipment delay, thanks for your cooperation!

Month Invoiced	Due Date	Amount	Currency
May	2011/10/29	2,513	TWD
Jun	2011/06/03	2,142	TWD

**Service Center**  
Click to ask our expert. [Click Here](#)

**Online SOP**  
[Detail](#)

**Bulletin**

**Terms of eStore**  
[Terms of Service](#)

#### 4.1.2 Customer Satisfaction

Yageo regularly conducts surveys and reviews to ensure that customer's needs and wants are adequately understood and addressed. Continual improvement plans supplemented by customer feedback are an integral part of our business processes.

An Annual Customer Satisfaction Survey is carried out by an independent third party consulting firm with the goal of:

- Understanding customers' specific needs and expectations from Yageo, and
- Obtaining formal and direct feedback from our customers to measure Yageo's performance and identify Yageo's weaknesses for development of improvement strategies.

The findings and analysis of customer feedback will be presented to the Yageo executive team, and appropriate details will be shared throughout the YAGEO organizations. Based on the survey input, all the related functional and regional teams will work together on action plans, with the progress monitored closely.



## 4.2 Supply Chain Risk Management

In 2011, Yageo brought together global logistics, materials management, risk management, and quality system management in an internal committee dedicated to managing our supply chain. The focuses of the committee are risk mitigation and supply chain improvement. The steering team, including a senior vice president and managers, directs annual goals and reviews progress each quarter. The committee's working team assists suppliers in lowering production and transportation risks by sharing risk management practices and helping suppliers improve quality systems, green procurement, protection of the environment, and safety. At the same time, we monitor the financial situation of key suppliers through regular communication or public information, monitor the inventory of supply chain, and draft backup plans. The working team holds monthly meetings to monitor progress and actively handle suppliers' issues.



## 4.2 Helping Suppliers Improve Delivery and Quality

### 4.2.1 Lean Supply Chain

Yageo works closely with raw material suppliers to exchange inventory information, so that in-bound supply chain inventories are transparent and demand fluctuations can be detected early. We collaborate with our suppliers to build a strong and lean supply chain together to mitigate the risk of supply interruption and avoid making surplus materials.

#### **4.2.2 Collaborating for Continuous Improvement**

Yageo evaluates key supplier performance each quarter for delivery, quality, and safety, and the results of the evaluation are delivered to supplier's top manager. Yageo also works closely with its suppliers to improve weaknesses through regular meetings. In certain projects, Yageo provides special technical support to suppliers through open communication meetings.

#### **4.3 Ensuring Supplier Compliance**

##### **4.3.1 Quarterly Business Review**

Yageo conducts quarterly meetings with our suppliers' senior managers to review performance, including quality, delivery and sustainability performance. We ensure suppliers comply with Yageo requirements and through semi-annual or quarterly monitoring of key indicators through a scorecard and checklist.

##### **4.3.2 Site Audit**

Yageo visits our suppliers and performs audits according to an annual plan. When special concerns arise from these audits, we work with suppliers to develop appropriate solutions for fulfilling our expectations. These solutions are executed by specified sponsors with a clear goal and timeframe.

##### **4.3.3 Certification**

Yageo encourages its suppliers to be certificated for ISO 14001 and OHSAS 18001. Furthermore, we conduct site audits to ensure suppliers' factories are well protected by fire protection systems and measure supplier safety performance through accident counts.

## 5. ENVIRONMENTAL PROTECTION

Nowadays, the global environmental consciousness is rising, the environmentally friendly products, the “green” production environment and management system become one of the important industrial development trends. Some of the international leading manufacturers not only taking the lead to use the environmentally friendly electronic parts, and also consider capability of providing “green” products and production system as one of the key criteria to choose their suppliers. SONY Green Partner certificate is one of the most strict standard and most respectable in the world. However, Yageo’s global MLCC and R-Chip factories, have obtained the Sony green partner certificate in 2003.



As a pioneer in the field of lead-free, non-hazardous products, all of our products are RoHS compliant, to fulfill our commitment to the environmental protection.

### Environmental Policy

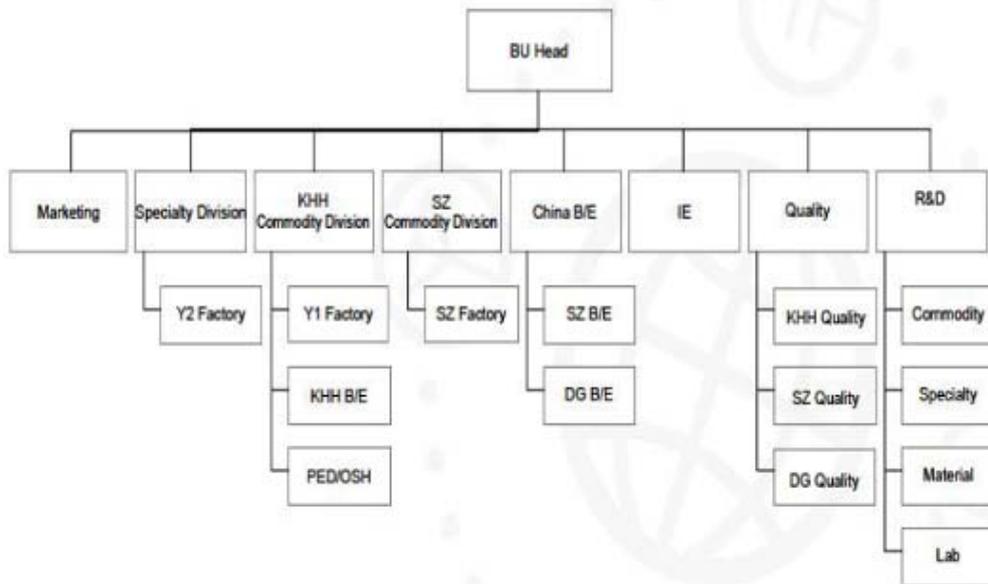
Yageo formulated the environmental policy as our guidelines according to the ISO14001 environmental management system standard and Yageo’s internal actual situation requirements as the basis. Our goal is “Clean Production and Sustainable Environmental Protection”, and main points are as below:

1. Establish and implement an environmental management system.
2. Implement pollution prevention in compliance with legal requirements
3. Strive for business sustainable development and continue the environmental improvements.
4. Mobilization of all employees to be fully engaged in environmental protection activities.
5. Implement energy saving and waste minimization; strengthen resource recycling and reuse; phase out or reduce the use of environmentally hazardous materials in production..

### 5.1 Green Management Organization and System

Yageo established ISO14001/ROHS/EICC/OHSAS18001 management organization structure according to the ISO14001/ROHS/EICC/OHSAS18001 standard, and also considering company’s actual situation.

General Manager is the person of this ISO14001/ROHS/EICC/OHSAS18001 organization, PED manager is the management representative, human resources manager is the deputy, environmental security supervisor and HR assistant manager are the executive secretary, each department head is the direct supervisor of ISO14001/ROHS/EICC/OHSAS18001 d for their department, each department has to allocate at least one the full time or part-time personnel to be responsible for the promotion. The organization structure is as below:



### 5.1.1 ESH and Hazardous Substance Management System Certificates

All Yageo manufacturing facilities in Taiwan, China, and United States have received ISO 14001 certification for environmental management system systems, OHSAS 18001 for occupational safety and health. In line with ISO 14001 and OHSAS 18001's concept of continuous improvement, Yageo diligently carries out its responsibilities of pollution prevention, energy and resource conservation, waste reduction, accident prevention, and establishment of a safe and comfortable work place.



OHSAS 18001 Certificate

ISO 14001 Certificate



### 5.1.2 Waste Management and Resource Recycling

Yageo has waste control procedures. Waste gas and water produced from the production is controlled. And there's promotion of reuse. The identification of all commercial waste before waste management suppliers taking out from Yageo, we have to apply via the website of Environmental Protection Administration & get the permission documents. After Yageo double confirmed the quantity & content of waste & the time that the supplier takes the waste out from Yageo. The

supplier should report back through the official internet website within 48 hrs for government control & monitor.

### 5.2 Declaration of Metal Conflict Free

Yageo assures certain of metals, i.e. Gold (Au), Tantalum (Ta), Tungsten (W), Tin (Sn) and Cobalt (Co), used in our products are not sourced from mines in the regions controlled by non-governmental military groups or unlawful military factions , including the eastern region of the Democratic Republic of Congo (DRC) (“Conflict Metals”).

### 5.3 Environmental Compliance Record

Yageo works actively with the public to promote positive and healthy social development. We aim to establish Yageo as a model corporate citizen. Giving back to society is part of business operation. Corporations are like big trees in society's fertile soil. A corporation's ground-breaking growth must cultivate the root cause of this growth, so during profitability, innovation must propagate into society while allowing full participation of employees. Yageo's environmental compliance effort includes the following:

- ISO 14001 Certification
- OHSAS 18001 Certification
- RoHS directive 2002/95/EC Compliance
- Authorized SONY Green Partner
- Samsung Eco Partner

In 2011, Yageo’s environmental/health objectives, indicators are as below:

	<b>Objectives</b>	<b>Indicator</b>	<b>Results</b>
1	Electricity energy saving	22% saving for each light	Completed
2	Water usage saving in electroplate machinery	Pure water usage reduction by 1%	Achieved
3	Waste recycle	Monthly recycle quantity increased by 1%	Achieved
4	Sintering furnace heating improvement	Annual electricity saving by 9,000 Watt/hr, CO2 remission reduced by 9 tons	Achieved
5	Ag coating machine waste remission reduction	Machinery write-off rate down by 20%	Achieved
6	Higher Copper paste utilization rate	Copper paste usage down by 10%	Achieved

7	Increase electrical equipment protection	Adding 30% central partition	Completed
8	Replace fire extinguisher to CO2-type	100% replacement at production site	Completed
9	Health improvement project	Weight loss of project team – 50kg	Achieved